

DEPARTMENT OF INSURANCE

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September 2, 2008

The Honorable Arnold Schwarzenegger
Governor of California
State Capitol Building
Sacramento, California 95814

RE: AB 2044 (Duvall) – SIGN

Dear Governor Schwarzenegger

As the sponsor of **Assembly Bill 2044**, the Department of Insurance urges you to **SIGN** this bill when it reaches your desk. This measure includes many changes to existing insurance producer licensing laws, mainly to comply with the national standards for producer licensees. This measure has received bipartisan support through both the Assembly and Senate, most recently passing the Senate Floor 34-2. Specifically, AB 2044:

- **Staggers the personal lines broker-agent license renewal date.** Currently, an estimated 7,500 personal lines brokers-agents renew their licenses on December 31st of every odd year. This change staggers the renewal date throughout the year for processing ease and aligns the renewal process for personal lines licenses with other producer licenses.
- **Modifies the definition of “resident” and “non-resident” licensee** so that a licensee can choose their resident state to be either the state in which they reside or the state they maintain their principal place of business. All other states allow their licensees to choose between these two options.
- **Modifies the examination requirements for California non-residents** by removing the requirement for a California non-resident licensee to take the California examination upon moving to this state and filing an application for the same license as a resident of this state.
- **Adds certain licensees to the list of those required to disclose financial records and to be accountable for handling premiums** including communications equipment insurance agent, cargo shippers agent, credit insurance agent, rental car agent, self-service storage agent, stock agent, and limited lines automobile insurance agent.
- **Establishes a citation program for minor violations of the Insurance Code.** When dealing with producers who have committed minor violations of the Insurance Code, the Department has three options: take formal legal action, issue a verbal or written warning, or take no action. This provision would allow the Department to issue citations and small, pre-determined fines. This would permit discipline that is more rigorous than a warning, but less time and cost consuming than a full-dress legal proceeding, and provides greater consumer protection than what the current, less flexible statutes offer. Minor violations include, but are not limited to, failure to display a producer license number in advertisements, failure to report a changed background status to the Department in a timely manner, and minor misstatements on a license application or renewal.

- **Specifies the appointment authority to act as an agent of an insurer** for personal lines broker-agent, credit insurance agent, motor club, limited lines automobile insurance agent; and part-time fraternal agent. This provision would require an insurer to file with the Commissioner a notice of appointment for the licensee to authorize the licensee to act as an agent of the insurer.
- **Expands the list of courses and programs that are deemed to meet the standards of prelicensing and continuing education requirements.** This will allow for consistency between the Insurance Code and the NAIC Uniform Licensing Standards.
- **Changes the required amount of continuing education hours for a Fire Casualty Broker-Agent,** who has been licensed for more than four years, to twenty four (24) hours for every two-year license term. This change will allow for consistency between the Insurance Code and the NAIC Producer Licensing Model Act and align the continuing education requirements with those required for life-only and accident/health licensees.
- **Authorizes the Commissioner to waive retaliatory fees for some non-resident applicants.** There are currently only four states that charge license fees greater than California's fee. The imposition of strict retaliatory fees has proven to be a very marginal gain in revenue for the Department. There are not enough applications received for the amount of Department resources spent to collect the additional fees to make the current statute viable.
- **Updates the qualifications for licensure as a life and disability analyst.** Currently, to be eligible for a Life and Disability Analyst license, an individual must have worked as a life licensee or as an employee of such a licensee for a minimum of five years. In 2007, legislation passed which split the life agent license into two separate licenses (i.e., life-only and accident/health). However, the Insurance Code was not changed to reflect the two separate licenses, which inadvertently resulted in individuals licensed only as a life-only licensee to meet the qualification for a Life and Disability Analyst license
- **Strengthens the independent adjuster licensing guidelines,** which will make California more uniform and reciprocal with other states as it pertains to the licensing of independent insurance adjusters.
- **Requires public insurance adjusters to take continuing education.** Currently, they are not required to take annual education courses to maintain their license. This provision will provide consistency between the Insurance Code and the NAIC Public Adjusters Licensing Model Act.

I respectfully request that you sign **Assembly Bill 2044**.

Sincerely,



DAVID LINK

Deputy Commissioner and Legislative Director

cc: The Honorable Mike Duvall
Michael Proso, Office of the Governor, Chief Deputy Legislative Secretary
Manolo Platin, Governor's Office of the Insurance Advisor